



# GOVERNMENT OF THE REPUBLIC OF TRINIDAD AND TOBAGO

## TT\$880.0 MILLION

where

**SERIES 1: TT\$280.0 MILLION 6.20% FIXED RATE BONDS DUE 2016  
and**

**SERIES 2: TT\$600.0 MILLION 6.40% FIXED RATE BONDS DUE 2020  
both**

**for Auction on June 26<sup>th</sup>, 2009**

The Agent - Central Bank of Trinidad and Tobago, Eric Williams Financial Complex, St. Vincent Street, Port-of-Spain

# INFORMATION MEMORANDUM

## ABSTRACT

The Government of the Republic of Trinidad and Tobago proposes to raise TT\$880.0 million, through the issue of two (2) series of bonds, i.e. TT\$280.0 million in 7 year bonds with a coupon rate of 6.20% per annum and TT\$600.0 million in 11 year bonds with a coupon rate of 6.40% per annum. The bonds will be issued under the authority of the Development Loans Act Chap. 71:04.

This bond issue is the second central government bond issue for fiscal year 2008/2009 and is being issued to finance projects under the purview of the Ministry of Local Government and other capital expenses.

The bonds will be issued through the automated auction system operated by the Central Bank. A single price auction system will be used and, as far as possible, applicants will be allotted bonds to the fullest extent of their applications.

The auction will be opened at 1:00 p.m. on Wednesday June 17, 2009 and closed at 1:00 p.m. on Friday June 26, 2009.

Bonds will be dated **June 30, 2009**.

## TERMS OF ISSUE

- 1. Authority**

This bond will be issued under the Development Loans Act, Chap. 71:04 of the Revised (1980) Laws of Trinidad and Tobago.
- 2. Purpose of Issue**

This bond is being issued to finance projects under the purview of the Ministry of Local Government and other capital expenses. The government is also mindful of its role in the development of the local capital market and, in particular, the development of the government bond market. To this end, it continues to provide securities that will cater to the needs of all investors.

These bonds are eligible for inclusion in the Statutory Fund of Insurance Companies and will be considered as assets in and originating in Trinidad and Tobago within the meaning of sections 47 (1) and 186 (3) respectively of the Insurance Act, 1980 and will also be accepted without limit for appropriate deposit purposes in accordance with section 29 of the Insurance Act.

- 3. Date of Issue**

The date of issue of this bond is June 30, 2009.
- 4. Agent**

The Central Bank of Trinidad and Tobago has been appointed sole and exclusive agent for the raising and management of this issue of Bonds.
- 5. Method of Payment**

The full purchase price is payable on settlement date. Payment will be made in Trinidad and Tobago dollars.
- 6. Security**

The principal monies and interest represented by the Bonds will be charged upon and are payable out of the Consolidated Fund and are secured on the Revenues and Assets of the Republic of Trinidad and Tobago.
- 7. Interest**

Interest is payable semi-annually on June 30 and December 30. Interest will accrue from June 30, 2009 and the first payment will be made on December 30, 2009. Interest will be calculated on a 365-day basis.
- 8. Business Day**

In the event that a payment date occurs on a day other than a business day, such payment will be made on the business day following that date.
- 9. Registrar**

The Central Bank of Trinidad and Tobago has been appointed the Registrar for this issue of Bonds.
- 10. Trustee**

The Trinidad and Tobago Unit Trust Corporation has been appointed the Trustee for the bondholders of this issue of Bonds.
- 11. Redemption**

Any bond forming part of this issue, if not previously cancelled or redeemed by purchase in the open market, will be repaid at maturity.

- 12. Applications and General Arrangements**

Applications can be made through the designated Government Securities Intermediaries that are listed at the end of this Information Memorandum. Intermediaries must enter bids, based on completed application forms, into the electronic auction system. Applications must be for \$1,000.00 face value or multiples thereof. No allotment will be made for any amount less than \$1,000.00 face value.

Government Securities Intermediaries are appointed by the Central Bank to act as counterparties in the auction and, thereafter, to provide a secondary market for the bonds. Bids can be placed competitively or non-competitively by submitting the relevant application form, along with payment to a Government Securities Intermediary. The maximum allotment that can be obtained through a non-competitive bid is \$100,000.00 face value at a price established in the competitive side of the auction. This price is the minimum price, when the successful bids are ordered from the highest price to the lowest price and may be at par, premium or a discount.

A register of bondholders will be held in book-entry form at the Central Bank of Trinidad and Tobago.

An Information Memorandum on this bond issue is available at [www.central-bank.org.tt](http://www.central-bank.org.tt). Application Forms and Transfer of Ownership Forms may be obtained at the offices of all Government Securities Intermediaries.

## DEBT MANAGEMENT AND ADMINISTRATION

**1. Debt Management Objectives**  
The debt management objectives of the Government of Trinidad and Tobago are:

- To minimize over the long-term the cost of meeting its financing needs, while containing its exposure to risk;
- To facilitate the development of a well functioning domestic capital market, with the creation and maintenance of a local interest-rate yield curve; and
- To ensure that debt management policy is consistent with the objectives of monetary policy, fiscal policy and other macroeconomic policies.



**2. Debt Management Strategy**

Government's Debt Management Strategy for the medium term, as enunciated in the Social and Economic Policy Framework 2006-2008, will continue to focus on the establishment of a risk management framework and the development of an efficient market for government securities. Government will ensure that both the level and the rate of growth of the public debt are fundamentally sustainable and consistent with international standards.

The debt management strategy will involve, inter alia:

- Achievement of an optimal level of debt that offers fiscal sustainability, external sustainability and solvency in the short, medium and long-term.
- Careful monitoring and management of contingent liabilities.

**3. Accountability and Transparency**

The Government of Trinidad and Tobago is responsible for ensuring that:

- the legislative authority to borrow is clearly defined and executed within that framework;
- debt data and indicators are accurately recorded and disclosed in accordance with the Freedom of Information Act;
- contingent liabilities are included in debt data;
- debt management activities are regularly audited externally and reported.

The Auditor General is mandated under the Constitution of the Republic of Trinidad and Tobago paragraph 116 (2) and (3) to audit and report on the public accounts of Trinidad and Tobago annually. Under the Exchequer and Audit Act, Chapter 69:01, the Auditor General is also mandated to audit the accounts of all accounting officers and receivers of revenue and all persons entrusted with the assessment of, collection, receipt, custody, issue or payment of public moneys, or with the receipt, custody, issue, sale, transfer or delivery inter alia of securities.

The Annual Reports of the Auditor General are submitted to the Speaker, the President of the Senate and the Minister of Finance and laid in Parliament.

**4. Institutional Framework**

The debt management activities of the Ministry of Finance are managed by the Economic Management Division (EMD) in the Ministry of Finance, and this unit is supported by an automated management information system known as the Debt Management and Financial Analysis System (DMFAS). This system was designed by UNCTAD and facilitates accurate debt recording and reporting. It

also enables not only the timely payment of debt service, but also improves the quality of budgetary reporting and the transparency of government financial accounts.

**5. Credit Rating**

Standard & Poor's affirmed that the Republic of Trinidad and Tobago's long-term foreign currency sovereign credit rating of 'A-', its long-term local currency rating of 'A+' and its short-term currency rating of 'A-1'. Moody's Investors' Service also maintained Trinidad and Tobago's key foreign currency ratings of 'Baa1'. These ratings are indicative of strong economic growth prospects, the strong internal and external balances and prudent macroeconomic policies (Table II).

**ECONOMIC REVIEW**

Against the backdrop of a swiftly slowing international economy, the Trinidad and Tobago economy held its own, growing by 3.5 per cent in 2008 compared with 5.5 per cent in the previous year. Growth in the energy sector softened to 0.4 per cent as internationally, energy commodities suffered sharp demand and price reversals in the second part of 2008. However, the non-energy sector grew by a robust 4.8 per cent on the strength of significantly higher output in the Hotels and Guest Houses (22.7 per cent), Finance, Insurance, Real Estate and Business Services (8.8 per cent), Agriculture (8.6 per cent), and Transport, Storage and Communication (8.2 per cent) sectors. In 2009, growth is expected to be subdued as the international economic slowdown persists.

The increasing price of agricultural commodities remains the driver of inflation, which measured 11.9 per cent on a year-on-year basis in April 2009. Food inflation rose by 25.2 per cent in the twelve months to April 2009. The increase reflected, for the most part, higher prices for fruits (36.6 per cent) and vegetables (35.7 per cent), which together account for twenty per cent of the food sub-index. Core inflation, which eliminates the food component, rose by an annual rate of 5.8 per cent in April 2009 compared with 5.3 per cent in the previous month.

Net fiscal injections during the first half of the fiscal year 2009 were 24 per cent higher than in the corresponding period of the previous fiscal year and this has impacted liquidity in the financial system. Liquidity continues to be quite high with excess reserves averaging close to TT\$1.5 billion during the last two months. This build-up in excess reserve balances is partly reflective of the sharp contraction in bank credit expansion as consumers and business firms have adopted a more cautious approach to borrowing in the face of slower economic activity.

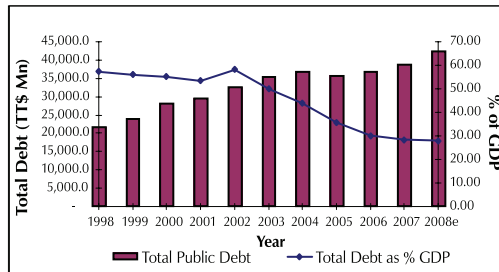
The debt of GDP ratio for Trinidad and Tobago at the end of 2008 was 39.0 per cent. The gross public debt stock, which comprises the debt of central government, statutory authorities and state enterprises, increased from \$49,699.7 million in 2007 to \$59,355.9 million in fiscal 2008 (Chart I). At the end of 2008, the domestic component of central government debt amounted to \$32,574.1 million, compared to \$24,394.4 at the end of the previous year (Chart II).

Preliminary data indicate that for 2008 Trinidad and Tobago recorded a balance of payments surplus of \$2.7 billion with the current account registering an estimated surplus of \$6,724.9 million or 27.6 per cent of GDP. The outturn on the current account was due largely to a merchandise trade surplus of \$6.9 billion compared with \$5.7 billion a year earlier. By contrast, the capital account recorded a deficit as private sector outflows, including those of the commercial banks and regional bond issues, reached just over \$4 billion. In addition, \$1.1 billion was deposited to the Heritage and Stabilization Fund.

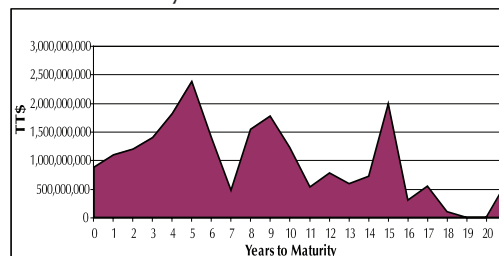
Trinidad and Tobago's net international reserves at the end May 2009 stood at US\$8,789.1 million. This represented an equivalent of 11 months of imports of goods and non-factor services.

The following charts and statistics show key aspects of the government's fiscal performance.

**Chart I. Total Public Sector Debt**



**Chart II. Maturity Profile of Central Government & Statutory Bodies Domestic Debt**



**Table I. Central Government Domestic Bond Issues (2003-2009)**

No.	Issue Date	Face Value of Issue (TT\$)	Year of Maturity	Tenor (Years)	Coupon Rate (% per Annum)
1	30/09/2003	200,000,000	2013	10	6.08
2	30/09/2003	200,000,000	2018	15	6.40
3	06/11/2003	640,000,000	2018	15	6.20
4	08/03/2004	300,000,000	2019	15	6.15
5	22/09/2004	300,000,000	2019	15	6.10
6	15/09/2004	516,000,000	2014	10	6.00
7	16/03/2005	400,000,000	2015	10	6.00
8	24/05/2005	400,000,000	2015	10	6.10
9	30/11/2006	700,000,000	2014	8	8.00
10	09/02/2007	674,301,000	2012	5.5	7.80
11	27/04/2007	1,017,978,000	2014	7	8.00
12	02/07/2008	1,200,000,000	2017	9	8.25
13	23/04/2009	1,500,000,000	2024	15	7.75

<sup>†</sup> All coupons are fixed.

**Table II. Trinidad and Tobago's Credit Ratings**

	Current
Foreign Currency Government Bonds	Baa1-Stable
Local Currency Government Bonds	Baa1-Stable
Foreign Currency Ceilings for Long-term Bonds and Notes	A1-Stable
Foreign Currency Ceilings on Short-term Bonds and Notes	P-1-Stable
Foreign Currency Ceilings for Long-term Bank Deposits	Baa1-Stable
Foreign Currency Ceiling for Short-term Bank Deposits	P-2-Stable

Source: Moody's Investors Services  
Moody's Global Sovereign : Credit Analysis  
December 2008  
www.moody's.com

**LIST OF GOVERNMENT SECURITIES INTERMEDIARIES**

Institution	Contact Addresses
ANSA Merchant Bank Limited	11c Maraval Road Port of Spain  Tel: 623-8672 Fax: 624-8763
Caribbean Money Market Brokers Limited *	Ground Floor, Furness Court Corner Richmond Street and Independence Square Port of Spain  Tel: 623-7815/5153 Fax: 624-4544
Citicorp Merchant Bank Limited	12 Queen's Park East Port of Spain  Tel: 625-1046; 6233344 Fax: 624-1719
First Citizens Bank Limited	Corporate Centre 9 Queen's Park East Port of Spain  Tel: 624-3178 Fax: 627-4548
Intercommercial Trust and Merchant Bank Limited	Ground Floor Furness Building Port of Spain  Tel: 665-4425 Fax: 665-6663
Republic Finance and Merchant Bank Limited	9-17 Park Street Port of Spain  Tel: 625-4411 Fax: 624-1296
RBTT Merchant Bank Limited	Corner Broadway and Independence Square Port of Spain  Tel: 625-3511 Fax: 624-5212
Scotia Trust and Merchant Bank (Trinidad and Tobago) Limited	Scotia Centre 56-58 Richmond Street Port of Spain  Tel: 625-3566 Fax: 623-4405
FirstCaribbean International Bank (Trinidad and Tobago) Limited	74 Long Circular Road Maraval Port of Spain  Tel: 628-4685 Fax: 625-8906
Trinidad and Tobago Unit Trust Corporation *	Corner Richmond Street and Independence Square Port of Spain  Tel: 624-8648 Fax: 624-4729

Note: \* Intermediaries designated to accept non-competitive bids from the public. Applications will be accepted by these intermediaries up to 4:00 p.m. on Thursday June 25, 2009.